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STANDING COMMITTEE ON INFORMATION TECHNOLOGY (2014-15)

SIXTEENTH LOK SABHA

MINISTRY OF COMMUNICATIONS & INFORMATION TECHNOLOGY (DEPARTMENT OF TELECOMMUNICATIONS)

DEMANDS FOR GRANTS (2015-16)

SEVENTH REPORT

LOK SABHA SECRETARIAT
NEW DELHI

April, 2015/Vaisakha, 1937 (Saka)

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(DEPARTMENT OF TELECOMMUNICATIONS)

DEMANDS FOR GRANTS
(2015-16)

Presented to Lok Sabha on 24.04.2015

Laid in Rajya Sabha on 24.04.2015

LOK SABHA SECRETARIAT
NEW DELHI

April, 2015/Vaisakha, 1937 (Saka)

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COMPOSITION OF THE STANDING COMMITTEE ON INFORMATION TECHNOLOGY (2014-15)

Shri Anurag Singh Thakur - Chairperson

Lok Sabha

2. Shri L.K. Advani
3. Shri Prasun Banerjee
4. Dr. Sunil Baliram Gaikwad
* 5. Dr. K.C. Patel
6. Shri Hemant Tukaram Godse
7. Dr. Anupam Hazra
8. Dr. J. Jayavardhan
9. Shri P. Karunakaran
10. Shri Virender Kashyap
11. Shri Harinder Singh Khalsa
12. Smt. Hema Malini
13. Shri Keshav Prasad Maurya
14. Ms. Mehbooba Mufti
15. Shri Paresh Rawal
16. Dr. (Smt.) Bhartiben Dhirubhai Shiyal
17. Shri Abhishek Singh
18. Shri D.K. Suresh
19. Shri Ramdas C. Tadas
20. Smt. R. Vanaroja
**21. VACANT

Rajya Sabha

22. Shri Javed Akhtar
23. Shri Salim Ansari
24. Smt. Jaya Bachchan
25. Shri Vijay Jawaharlal Darda
26. Shri Santiuse Kujur
27. Shri Derek O'Brien
28. Dr. K.V.P. Ramachandra Rao
29. Shri Sachin Ramesh Tendulkar
30. Mahant Shambhuprasadji Tundiya
\# 31. Shri Meghraj Jain

Secretariat

1.	Shri K. Vijayakrishnan	Additional Secretary
2.	Shri J. M. Baisakh	Director
3.	Shri Shangreiso Zimik	Under Secretary

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* Nominated to the Committee w.e.f. 11.09.2014 *vice* Shri Feroze Varun Gandhi, M.P., *vide* Bulletin Part – II w.e.f. 11.09.2014.

** Shri Deepender Singh Hooda, M.P. Lok Sabha ceased to be a Member of the Committee as he has been shifted to the Committee on Energy *vide* Bulletin Part - II w.e.f. 14.11.2014.

\# Nominated to the Committee w.e.f. 14.01.2015 *vide* Bulletin Part – II dated 16.01.2015.

ABBREVIATIONS

BBNL:	Bharat Broadband Network Limited
BSNL:	Bharat Sanchar Nigam Limited
Capex:	Capital Expenditure
CPSU:	Central Public Sector Undertaking
DS:	Defence Services
DSLAM:	Digital Subscriber Line Access Multiplexer
FTTH:	Fibre to the Home
GP:	Gram Panchayat
GSM:	Global System for Mobile communications
ICT:	Information Communication Technology
IMS:	Information Management System
ITI:	Indian Telephone Industries Limited
LWE:	Left Wing Extremism
MTNL:	Mahanagar Telephone Nigam Limited
NGN:	Next Generation Network
NICF:	National Institute of Communications and Finance
NOFN:	National Optical Fiber Network
OFC:	Optical Fiber Cable
Opex:	Operational Expenditure
USOF:	Universal Service Obligation Fund
WLL:	Wireless Local Loop
WMO:	Wireless Monitoring Organisation

INTRODUCTION

I, the Chairperson, Standing Committee on Information Technology (2014-15), having been authorized by the Committee to submit the Report on their behalf, present this Seventh Report on Demands for Grants (2015-16) of the Ministry of Communications and Information Technology (Department of Telecommunications).

2. The Standing Committee on Information Technology (2014-15) was constituted on 31st August, 2014. One of the functions of the Standing Committee, as laid down in Rule 331E of the Rules of Procedure and Conduct of Business in Lok Sabha, is to consider the Demands for Grants of the Ministry/Department concerned and to make a Report on the same to the House.

3. The Committee considered the Demands for Grants pertaining to the Ministry of Communications and Information Technology (Department of Telecommunications) for the year 2015-16 which were laid on the Table of the House on 18th March, 2015. The Committee took evidence of the representatives of the Department of Telecommunications on 6th April, 2015.

4. The Report was considered and adopted by the Committee at their sitting held on 22nd April, 2015.

5. The Committee wish to express their thanks to the officers of the Department of Telecommunications for appearing before the Committee and furnishing the information that the Committee desired in connection with the examination of the Demands for Grants.

6. The Committee would also like to place on record their appreciation of the assistance rendered to them by the officials of the Lok Sabha Secretariat attached to the Committee.

7. For facility of reference and convenience, Observations/Recommendations of the Committee have been printed in bold letters in Part-II of the Report.

ANURAG SINGH THAKUR
Chairperson
Standing Committee on
Information Technology

New Delhi
22 April, 2015
2 Vaisakha, 1937 (Saka)

REPORT

Part-I

Introductory

Communication has grown as an essential infrastructure for socio-economic development in an increasingly knowledge intensive world. The reach of telecom services to all parts of the country has become integral to an innovative and technologically driven society. Studies have shown a positive correlation between Internet and Mobile Services on growth of GDP of a country. As a result of sustainable measures taken by the Government, the Indian Telecom Sector has grown exponentially and has become the second largest network in the world, next only to China.

2. Some of the important component of the vision statements of the Department of Telecommunications are to develope a strong and vibrant technology neutral telecom sector with enhanced participation of the private sector that can propel India into the forefront among the global economic superpowers with high quality and cost-effective telecom infrastructure and services support, ensure that India's rural masses have easy access to the info-highways leading to education, knowledge, commerce and health, thereby bridging the digital divide, provide opportunities for private investment, both in the services sector and the manufacturing sectors, leading to creation of employment, particularly in rural areas, and keep India technically advanced, initiate R&D in cutting-edge telecommunication technologies, etc.

II. Implementation status of recommendations of the Committee contained in the Third Report on Demands for Grants (2014-15) of the Ministry of Communications and Information Technology (Department of Telecommunications).

3. The Third Report of the Standing Committee on Information Technology on Demands for Grants (2014-15) of the Ministry of Communications and Information Technology (Department of Telecommunications) was presented to Parliament on 22nd December, 2014. The Action Taken Notes on the observations/recommendations contained in the Third Report on Demands for Grants (2014-15) was received on 30th March, 2015. The Action Taken Report on the subject will be presented to the House in due course.

III. <u>Budget analysis</u>

4. The Department of Telecommunications (DoT) presented Demand No. 15 for the Financial Year 2015-16 on 18th March, 2015. The Plan and Non-Plan provisions made in the Revenue and the Capital Sections of the Budget are as under:-

(Rs. in crore)

Heads	Plan	Non-Plan	Total
Revenue Section	5009.45	8274.65	13,284.10
Capital Section	2590.50	---	2590.50
Grand Total	7599.95	8274.65	15,874.60

(a) Comparison of Demands for Grants 2014-15 and 2015-16

5. A statement showing the Budget Estimates for the year 2015-16 vis-à-vis the Budget Estimates/Revised Estimates/Actuals (BE/RE/Actuals) of 2014-15 is given as under:-

(Rs. in crore)

Heads	BE 2014-15		RE 2014-15		Actuals (upto Feb, 2015)		BE (2015-16)	
	Plan	Non-Plan	Plan	Non-Plan	Plan	Non-Plan	Plan	Non-Plan
Revenue Section	7335.00	6932.06	4416.41	7212.07	3730.95	6957.51	5009.45	8274.65
Capital Section	3702	96	641.15	300	553.52	200	2590.50	--
Grand Total	11037.00	7028.06	5057.56	7512.07	4284.47	7157.51	7599.95	8274.65

6. The details of Scheme-wise BE, RE & Actual Expenditure for the year 2014-15 under (Plan) are as under:-

(Rs. in crore)

Particulars	B E 2014-15	R E 2014-15	Actual up to September 14
OFC (DS)	3065.00	425.00	0.00
ITI	461.00	192.00	0.00
WMO	42.45	4.00	1.70
TEC	13.00	0.00	0.00
NICF	68.05	2.00	0.40
DoT projects	43.00	8.00	0.00”

7. The Committee desired to know the reasons for the gross under-utilization of funds under Plan Head, particularly under capital section during 2014-15. According to DoT, under OFC Defence Services (DS) Scheme, BSNL was able to finalize the tenders for laying of optical fibre only in the month of July/August after negotiations. The project involves laying of around 57000 Km of OFC. This component has been divided into 7 packages, region-wise. Purchase orders for all the seven packages have been issued in July/August, 2014. After the initial preparatory work and field survey, the physical work in all packages is underway. The tenders for electronic components were delayed on

account of litigation and could be settled only in November 2014. These tenders are now under process for award. The whole project is expected to be completed by the end of the 12th Five Year Plan, i.e. 2016-17. Under the National Institute of Communication and Finance (NICF), Rs. 101.87 crore (HRM Plan Rs. 15 crore + Setting up of Physical Infrastructure Rs. 86.87 crore) was proposed as budget estimate for 2014-15 by NICF. However, the project approval was not got in time for the utilization of the allotted funds. Hence the budget estimates were revised through RE. Under the Telecom Engineering Centre (TEC), reduction of funds from Rs. 15 crore to Rs. 2 crore was made as the EMF measuring instrument tender was in process and Project Estimates of Labs were under approval. In respect of the Indian Telephone Industries (ITI) Ltd., the amount of Rs. 460 crore allotted as part of the Demands-for-Grants 2014-15 under Plan Head was meant for Stage-I as per CCEA approval. However, as no allocation was made under Non-Plan head, ITI requested for bifurcation of Rs. 460 crore into two parts, comprising of Rs. 192 crore, in first part, to be utilized for meeting the Capex requirements for projects which will give revenue within 2014-15 itself and Rs. 268 crore, in second part, for making payment of salaries to its employees. However, the Ministry of Finance reduced the allotment of Rs. 460 crore to Rs. 192 crore and provided a soft loan of Rs. 100 crore for making salary payments. Thus, the amount of Rs. 460 crore allotted under Plan-Head in BE 2014-15 got reduced to Rs. 192 crore.

(b) <u>Utilization of fund under Gross Budgetary Support (GBS)</u>

8. The details of Proposed Outlay, BE, RE and Actuals (Up to February, 2015) for various schemes under Gross Budgetary Support during the year 2014-15 and proposed outlay and BE for the year 2015-16 are as under:-

(Rs. in crore)

	Proposed 2014-15	BE	RE	Actuals 2014-15 (Upto Feb, 2015)	Proposed amount 2015-16	Allocation 2015-16
Wireless Monitoring Org	86.06	49.00	5.10	3.13	64.10	16.50
Wireless Planning & Co-ordn.	2.43	2.40	1.00	0.32	1.80	0.66
Telecom Engineering Centre	20.00	15.00	2.00	0.00	39.42	4.95
C-DOT	250.00	200.00	200.00	200	362.00	140.00
TRAI	518.00	40.00	30.00	23.33	524.00	40.00
TDSAT	1.55	1.55	1.00	0.38	1.55	1.55
TDIP	1.50	1.00	0.50	0.01	4.50	1.90
DS NETWORK	10000.00	3065	425.00	355.07	5000.00	2400.00
NICF	101.87	83.05	5.00	2.91	101.87	27.39
Compensation to USOF Service provider	14786.74	3537.00	2086.98	1804.16	12600.00	2400.00
ITI	837.00	461.00	192.00	192.00	1804.00	50.00
Loans to HPIL	1.00	1.00	1.00	0.14	NIL	1.00
MW Champhai - Zokhawthar	2.00	2.00	2.00	2.00	3.00	2.00

Satellite Gateway ASST to BSNL	5.00	5.00	5.00	0.00	40.00	40.00
NE Projects executed by BSNL	40.00	35.00	6.00	1.00	20.00	10.00
Undersea Cabling		1.00	1.00	0.00	1.00	1.00
Soft Loan to TCIL	1.00	1.00	1.00	0.00	16.00	0.00
Infusion of equity to TCIL	0	0.00	0.00	0.00	NIL	1.00
Financial support for FTTH	0	0.00	0.00	0.00	NIL	37.00
DOT Building	0	0.00	0.00		40.00	25.00
Total	26654.15	7500	2970.58	2481.81	20623.24	5199.95

9. The Department have stated that reduced allocation of funds under GBS will cause adverse impact on the implementation of major schemes. In this context, the matter has been reportedly taken up with the Ministry of Finance for enhancing the ceiling of BE 2015-16.

10. Pointing out that the huge shortfall in utilization of funds under GBS clearly indicates sluggish implementation of Plan Schemes and the Department often come out with almost similar explanations year after year, the Committee desired to know the systemic improvements that needed to be taken to move towards optimal utilization of funds under plan segment. In this context, the Department are stated to have taken measures to improve utilization of funds in the year 2015-16 under major schemes as enumerated below:

(a) Universal Service Obligation Fund (USOF):

For the financial year 2015-16, Rs. 12600 crore has been projected for disbursement against all USOF schemes. A major portion of funds, i.e. Rs. 9335 crore for the NOFN Scheme and Rs. 1230 crore for the LWE scheme is earmarked to meet the expenditure for these two important schemes. Both these schemes are stated to be under active implementation and requisite monitoring mechanism has been put in place to ensure completion as per schedule. The faster implementation of newly sanctioned schemes along with schemes under formulation through better monitoring and coordination will ensure better utilization of funds under USOF.

(b) NICF:

NICF has taken the following action for the optimum utilization of funds during 2015-16.

a. Administrative approval for MCT-III has been obtained.

b. Approval of DPR and Change of Land use has been obtained.

c. Layout Plan has been submitted to MCD.

d. Proposal for Selection of Agency for the construction of this building has been sent to DoT HQ.

In the light of the above, NICF is doing the best to use the allotted fund during 2015-16.

(c) TEC:

EMF Measuring Instrument tender is at final stage as the equipment is undergoing type approval test and award of contract is expected within 2 months. In addition, two Project Estimates have already been approved and tender process of the same has also been started for establishment of these labs. Project estimates for remaining Labs have also been submitted to DoT for approval and parallel action of preparation of tender document has been started.

(d) ITI:

In order to oversee proper utilization of funds allotted under Plan-Head in a timely manner, the following steps have already been initiated:

i. For regular monitoring of the implementation of the Revival Plan, committees have been constituted at Corporate level and unit level in ITI. The progress is also reviewed regularly in DoT at the level of Member (S). An Apex Committee under the chairmanship of Secretary (T), DoT, with representation from the Department of Public Enterprises and Department of Expenditure has also been constituted to see the overall implementation of the Revival Plan as per approval of CCEA.

ii. The preparatory works for upgrading of manufacturing infrastructure in ITI's various manufacturing plants are in progress. Progress of preparatory activities of all the manufacturing units is being monitored against PERT charts.

iii. It has also been decided that each unit of ITI is to be run as a separate Profit Centre and Functional Directors of M/s ITI Ltd. have been assigned additional responsibilities as Mentor of Profit Centres.

(e) DS Schemes:

The project involves laying of around 57000 Km of OFC. This component has been divided into 7 packages, region-wise. Purchase orders for all the seven packages have been issued in July/August, 2014. After the initial preparatory work and field survey, the physical work in all packages is underway. The tenders for electronic components were delayed on account of litigation and could be settled only in November 2014. These tenders are now under process for award. The whole project is expected

to be completed by the end of the 12th Five Year Plan, i.e. 2016-17. DoT monitors the project periodically at the level of the Secretary along with Defence Services and BSNL.

(f) Wireless Monitoring Organisation (WMO)/Wireless Planning and Coordination(WPC):

The expenditure approval of the schemes is being currently monitored by a team of officers comprising of Director, WMO, Deputy Directors and Engineer-in-Charge in WMO, on a regular basis. Efforts will be made to expedite the approvals and timely implementation of the Plan schemes in the financial year 2015-16.

IV. Expansion of telecom network in rural areas

11. The overall position of telecom connectivity in the country is as under:-

Item		March, 2014	December, 2014
No. of Telephones (in million)	Overall	933.02	971.01
	Wireline	28.50	27.00
	Wireless	904.52	944.01
	Rural	377.78	398.73
	Urban	555.23	572.28
Teledensity (Telephones per 100 persons)	Overall	75.23	77.59
	Rural	44.01	46.14
	Urban	145.46	147.75
% share	Wireless	96.95	97.22
	Public	12.87	10.85
	Private	87.13	89.15
% growth of total telephones over previous year		3.90	4.07*
* % over 09 months of the current year.			

12. The main hurdles/difficulties faced by the Department in increasing teledensity in rural areas are primarily inaccessibility and remoteness of certain areas. The higher Capex & Opex (Capital Expenditure & Operational Expenditure) required for meeting service obligations are not matched by revenue flows and require viability gap funding to make services viable. The creation of network infrastructure requires electricity which cannot be provided easily in these areas. The cost of devices also has a bearing on the access to services in rural areas.

13. In this context, the Committee specifically enquired as to what steps are being taken to address these issues and increase rural teledensity. The following efforts are made by the Department to overcome these difficulties and to increase telecom penetration in rural areas:

(a) Various USOF funded schemes to provide viability gap funding are contributing in increasing rural teledensity.

(b) Creation of Optical Fibre Cable (OFC) Infrastructure through National Optical Fibre Network (NOFN) by linking 2,50,000 Panchayats through Optical Fibre Network would help in providing easy access.

(c) Scheme for Mobile Communication Services in Left Wing Extremism (LWE) affected Areas

(d) Comprehensive Telecom Development Plan for North-Eastern Region:

The Government has approved a Comprehensive Telecom Development Plan for the North-Eastern Region (NER) at an estimated cost of Rs. 5336.18 crore.

The main thrust areas identified for improvement and augmentation of telecom services in NER are:

(i) to provide 2G mobile coverage in identified uncovered areas.

(ii) to provide seamless 2G mobile coverage along the National Highways in NER.

(iii) to ensure reliability of and redundancy in the transmission network at State capitals and district headquarters in NER.

(e) Improving Telecom Services in Andaman & Nicobar Islands and Lakshadweep

The Telecom Commission has given 'in principle' approval on 07.11.2014 for a Comprehensive Telecom Development Plan, including provision of mobile connectivity for Andaman & Nicobar Islands and Lakshadweep Islands with a total estimated investment of Rs. 221.05 crore consisting of the following elements:-

(a) Rs 91.16 crore for providing 2G (voice) coverage in uncovered villages.

(b) Rs 9.40 crore for providing seamless 2G (voice) connectivity along NH.

(c) Rs 20 crore for augmentation of OFC Network.

(d) Rs 100.49 crore for augmentation of Satellite system.

14. On the plan to achieve the 12th Plan target of providing mobile access to all villages and increase rural teledensity to 70 per cent by 2017, the Secretary, DoT, during evidence, stated as under:-

"The growth rate of teledensity at the moment is approximately five per cent every year, and the rural teledensity at the moment stands at 46 per cent. If there are no interventions from the Government, in three years,

automatically, it will be increased by 15 per cent at the current rate of growth. If you add up 46 per cent plus 15 per cent, it comes to 61 per cent. That will be the growth rate when we are not making any interventions. As you know, we are making many interventions. We have taken up initiatives whereby in the next five years, we will be covering all the 55,000 villages which have not been covered by mobile connectivity.

Already projects are going on in LW area. North-East is just in the horizon. Then Himalayan States are coming and then some other States also will be coming up. Secondly, when this NOFN cable reaches to the villages, one very essential aspect of this NOFN cable is that the access to this cable will be neutral. Even the telecom service provider can use this cable to take their voice connectivity or else data connectivity. They will be taking this. Once this cable reaches the villages, they will be finding it useful to set up their own towers in those areas. We believe that 70 per cent target is achievable and probably it will be achieved by 2017 end."

V. Status of implementation of Plan Schemes

(a) Utilization of fund under Universal Service Obligation Fund (USOF)

15. Some of the ongoing USOF activities/Schemes are Village Public Telephones in Newly Identified Villages of Census 2001, Rural Wireline Broadband, Optical Fibre Network Augmentation, Creation and Management of Intra-District SDHQ-DHQ OFC Network in Assam, Optical Fibre Network Augmentation, Creation and Management of Intra-District SDHQ-DHQ OFC Network in NE-I Circle (comprising States of Meghalaya, Mizoram & Tripura), Optical Fibre Network Augmentation, Creation and Management of Intra-District SDHQ-DHQ OFC Network in NE-II Circle (comprising States of Arunachal Pradesh, Manipur & Nagaland), National Optical Fibre Network (NOFN), Scheme for Mobile Communication Services in Left Wing Extremism (LWE) affected Areas and Sanchar Shakti. The Department are also planning to launch some new schemes, viz., Comprehensive Telecom Development Plan for the North-Eastern Region, providing mobile connectivity in uncovered villages in Himalayan States, providing mobile connectivity in uncovered villages in Western Border States and Government User Network (GUN).

16. The utilization of funds under USOF during 2014-15 is as under:-

(Rs. in crore)

	2014-15
Proposed	14790
BE	3537
RE	2086.98
Actuals (Upto 31.3.2015)	2086.98

17. On being enquired about the reduction of funds from BE to RE during 2014-15, the Department have stated that funds have been reduced from Rs. 3537 crore to Rs. 2086.98 crore on the basis of the trend of the USO Fund spent in the financial year and due to less requirement from Bharat Broadband Network Ltd. (BBNL), because funds could not be distributed to PSUs who failed to implement NOFN Project as per planned targets.

18. During the year 2015-16, an amount of Rs. 12600 crore has been proposed for USOF schemes. However, an amount of only Rs. 2400 crore has been allocated at BE. The details of proposed allocation for all USOF schemes for the year are as under:-

(Rs in crore)

S.No.	Name of Scheme	Proposed Amount
1	NOFN	9334.71
2	LWE	1230.00
3	New Schemes i.e. (i) GUN (ii)Comprehensive Telecom Development Plan for NE Region	 (i) 500.00 (ii) 1325.68
4	Uncovered VPT–II as per census 2001	8.78
5	Mobile Phase –I	1.25
6	Wireline Broadband	81.81
7	OFC (NE-I & NE-II)	77.60
8	OFC Assam	30.29
9	Sanchar Shakti	1.50
10	SMCF & MARR	0.34
	Total	**12591.96** **(Rounded to Rs. 12600)**

(i) National Optical Fibre Network (NOFN)

19. Some of the major schemes implemented through USOF are dealt with in the succeeding paragraphs. The NOFN project is planned to connect all Gram Panchayats (approx. 2.5 Lakh) in the country through optical fibre utilizing existing fibers of PSUs, viz. BSNL, RailTel and Power Grid, and laying incremental fiber wherever necessary to bridge the connectivity gap between Gram Panchayats (GPs) and Blocks. Minimum 100 Mbps bandwidth will be available at each Gram Panchayat. Non-discriminatory access to the network will be provided to all categories of service providers. NOFN Project was envisaged as a Centre-State joint effort, who are expected to contribute by way of not levying any RoW charges.

20. As per the Outcome Budget, the NOFN project is likely to be completed by 31.12.2016 in a phased manner as follows:

Phase I	50,000 Gram Panchayats	by 31.03.2015

Phase II	Another 1,00,000 Gram Panchayats	by 31.03.2016
Phase III	Remaining 100,000 Gram Panchayats	by 31.12.2016

21. The details of BE, RE and Actuals (upto December, 2014) under NOFN during 2014-15 and proposed outlay during 2015-16 are given below:-

(Rs. in crore)

Year	**2014-15**	**2015-16**
		9334.71(proposed)
BE	1477.26	
RE	1308.41	
Actuals (December, 2014)	1091	
% w.r.t. RE	83.39	

22. With regard to under-utilization of funds during 2014-15, the Department, in a written note, have stated that due to revision of targets, the allocations have been reduced. In the year 2014-15 an amount of Rs.1351.86/- crore has been released to BBNL. In the year 2014-15, it was planned to execute work for 1,00,000 GPs and later on it was revised to 50,000 GPs. However, by March 2015, only about 20000 GPs are expected to be covered under NOFN which is 40% of the planned target. This shortfall is stated to be due to the following reasons:-

a. Non-availability of PLB ducts by CPSUs at various sites in the States
b. Delay in finalization of OFC Trenching and laying tenders by CPSUs
c. Current rate of progress is extremely slow by executing agencies (CPSUs).

23. As part of measures taken to achieve the targets, a Committee has been set up in January, 2015 to review the strategy and approach towards speedy implementation of NOFN. The Committee have submitted its recommendations. According to DoT, the NOFN project is being monitored on weekly basis by BBNL and weekly progress is being sent to the 3 CPSUs and USOF/ DoT every Monday. Periodic reviews are being done by BBNL and USOF / DoT on regular basis with CPSUs and action on various issues are taken to expedite the work. The following steps are being taken by the Department for implementation of the project in a time-bound manner.

i. Capacity constraint in the supply of PLB duct is being addressed through augmented production of Telecom factories and Private providers.
ii. Steps are being taken to bring on board additional agencies to carry out the work concurrently.
iii. High Level monitoring system using latest tools are being put in place.

24. Elaborating the manner in which the NOFN Project is being implemented, the Secretary, DoT, during evidence, stated:-

"At the moment, there are only three PSUs who are doing this project, namely, BSNL; Railtel – the Railway telecom company, which is laying optical fibre for Railways; and PowerGrid Corporation Limited. These three PSUs have been picked up because they have extensive experience in laying optical fibre. PowerGrid also lays optical fibre as all the major power lines have optical fibre riding over them. Railtel also was chosen because Railways have their own extensive communication network, and that is why they are doing it, and the third is BSNL. Now, this work was given to these three, and the States were divided among them, and they were taking the help of the private contractors for laying the optical fibre on the ground basically for trenching and for laying the PVC pipes"

25. Explaining the difficulties faced in the implementation of NOFN project, the Secretary, DoT, added:

"The biggest issue comes of right of way, and for this we have agreement with the State Governments that they will give us right of way free of cost, but even with the right of way available free of cost, whenever we are going to actually lay the optical fibre, a lot of problems come up basically because in many places construction and population are there and lot of problems come up. In some of the places, even in the fields, the farmers have objections that we cannot go there. So, those issues are very big challenges.

The second big challenge that we are facing is the number of contractors. This work needs a specialised kind of work, and those agencies that do this type of specialised work are only in that much number as is the demand in the market till now. The demand in the market till now was very low vis-à-vis the demand, which has risen now. If the demand every year was this much of work, then today the work is almost 10 times more than that. So, once you increase the work 10 times more than that, then for the same contractor to do that much work is very difficult. The same problem was with the supply side of PVC pipes. "

26. Further, elaborating on the progress, the Secretary, DoT, during evidence, stated as under:-

"…xxx…..more than 30 times the speed has increased in the last 9 months. All that I am saying is that the eco-system develops over time. The PVC pipe supply was a problem, but now the PVC pipe supply has not remained a problem as the private sector has increased its capacity manifold. Even BSNL has increased the capacity to manufacture PVC pipes to almost four times. Their capacity earlier was about 2,000 kms every month, and now they have increased their capacity to more than 6,000

kms every month. So, increase in speed has increased to almost 30 times as compared to when we had started it. ”

27. Elaborating on the recommendations of the Committee constituted in January, 2015 to review NOFN Project, the Secretary, DoT, in evidence, stated:

> “…xxx….this Committee, which was constituted on the directions of the hon. Prime Minister himself, has given the Report....xxx...but in the mean time, States like Andhra Pradesh have come up with a model that they will form their own corporation, which will take up this work and whatever the Government of India was going to spend for this project in their State should give that much money as a support and rest of the money they will put on their own as they want to further scale-up this project and they want to take up a lot of new things in addition to these things.
>
> Now, the Telecom Commission has given its ‘in principle’ approval saying that we could go ahead. Two more States have come up for this kind of a project. One of them is Tamil Nadu. They have shown lot of interest. They are yet to give us a formal proposal. Another one is Gujarat. There may be more States which may come up, which will take up this project on their own. If they take up this project on their own, maybe, many problems will be resolved.
>
> The third thing which this Committee has recommended is that in some of the States where the private contractors can take up this kind of a big project on their own, we should leave this model of the PSU driven project and it should be given on a turnkey basis to such big project contractors. Simultaneously, they have decided a business model, which has too many details and I would not like to take the time of this hon. Committee. The private contractors will have their own business model and as a result of which, they will show a lot of interest to complete it in time. However, still we will have to spend money on that.”

(ii) <u>Schemes for Mobile Communications Services in Left Wing Extremism (LWE) affected areas</u>

28. The Government have approved a proposal to install mobile towers at 2199 locations identified by the Ministry of Home Affairs (MHA) in the States of Andhra Pradesh, Bihar, Chhattisgarh, Jharkhand, Maharashtra, Madhya Pradesh, Odisha, Telangana, Uttar Pradesh and West Bengal, which are affected by Left Wing Extremism (LWE). The Bharat Sanchar Nigam Limited (BSNL) has been nominated to execute the work. USOF would fund the CAPEX and OPEX net of revenue for five years. Estimated project cost was Rs.3046.12 crore. The Project Cost of Rs. 3567.58 crore discovered by BSNL through the tender process has been approved by the Government on 20.08.2014. The State-wise details of mobile towers identified by the Government are as below:

S. No.	State	No. of Mobile towers
1.	Andhra Pradesh	54
2.	Bihar	184
3.	Chhattisgarh	497
4.	Jharkhand	782
5.	Maharashtra	60
6.	Madhya Pradesh	22
7.	Odisha	253
8.	Telangana	173
9.	Uttar Pradesh	78
10.	West Bengal	96
Total		**2,199**

29. During 2014-15, an amount of Rs. 586.78 crore was allocated at BE stage, which was enhanced to Rs.600 crore and AE up to December, 2014 was 596.51 crore. For the year 2015, Rs. 1230 crore has been proposed by the Department for the scheme. As on 31 March, 2015, 510 towers out of 2199 locations have been made functional. It is expected that the remaining towers will be installed and made operational within the targeted time-frame, i.e. Sep. 2015**.**

(b) <u>OFC based network for Defence Services (DS)</u>

30. In December 2009, the Government approved the alternate communication network for Defence Services for release of spectrum. This project is meant for building an exclusive dedicated alternate communication network for Defence Services in order for them to vacate the occupied frequency spectrum to be used for the next generation of mobile telephone and consequently the higher national growth of subscriber base. The project involves laying of around 57000 km of OFC.

31. The details of proposed outlay, BE, RE, and AE for the year 2014-15 and proposed and BE of 2015-16 are as under:-

(Rs. in crore)

Year	2014-15	2015-16
Proposed	10,000	5000
BE	3065	2400
RE	425	
Actuals (Upto February, 2015)	355.07	
% w.r.t. RE	83.54	

32. Regarding gross underutilization of funds during 2014-15, against BE allocation, the Department, in a written note, have stated that in the project for Network for Spectrum (NFS), the most critical component is laying of optical fibre cable across the country. At the beginning of financial year 2014-15, it was expected that award of

packages could be done expeditiously. However, due high rates received, the Bharat Sanchar Nigam Limited (BSNL) could finalise the tenders for laying of optical fibre only in the month of July/August, 2014, after negotiations. Preparatory work, i.e. forming of consortium as per tender conditions, testing of components and field survey took time and the actual physical work could be commenced only in the last quarter of the financial year.

33. About the status of execution of this project, DoT, in a note, further stated that the project has been divided into 7 packages region-wise. Purchase orders for all the seven packages have been issued in July/August, 2014. After the initial preparatory work and field survey, the physical work in all packages is underway. The tenders for electronic components were delayed on account of litigation and could be settled only in November 2014. These tenders are now under process for award. The whole project is expected to be completed by the end of 12th Five Year Plan, i.e 2016-17.

34. The Committee have been informed that with the implementation of the Network for Spectrum, the Ministry of Defence would be in a position to spare 2G and 3G spectrum to DoT for further utilization by the telecom service providers. With this additional spectrum, the telecom service providers would be in a better position to provide coverage and capacity of mobile telecom service throughout the country.

35. In this context, Secretary, DoT, in evidence, added:-

> "After this comes up, on the one side, the connectivity of the defence forces will become much more robust and secure because it will be very difficult for enemies to really snoop on anything which is going on. Secondly, we will be getting the spectrum back from the Defence to be put to the public use."

(c) <u>Establishment of Satellite Gateway assistance to BSNL</u>

36. As per the Outcome Budget (2015-16), this Project is meant for grant of financial support to the Bharat Sanchar Nigam Limited (BSNL) from DoT to establish the GMPCS (Global Mobile Personal Communication by Satellite) Service which enables a subscriber to communicate from any point (irrespective of the location) through hand-held terminal. BSNL had proposed to establish the gateway under technology transfer from M/s INMARSAT. M/s INMARSAT's 100% owned retail arm 'Stratus' will be the executive provisioner of service to BSNL. The proposed gateway will enable global satellite mobile service under GMPCS licence. BSNL has estimated that Rs. 52 crore would be required towards the cost of the gateway. DoT have given 'in principle' approval to provide support of $ 8 million to BSNL for establishment of GMPCS gateway in India. The Telecom Commission has recommended to grant a licence for "Provision and Operation of INMARSAT Satellite based services using Gateway installed in India" to M/s BSNL in the meeting of the Telecom Commission held on date 13.06.2014. Proposal to provide budgetary support to BSNL amounting to Rs. $ 8 million, as total cost of the project, to

establish GMPCS Gateway in India has been approved by the competent authority in DoT.

37. The details of the proposed outlay, BE, RE and AE for the year 2014-15 and proposed outlay and BE for the year 2015-16 are as under:-

(Rs. in crore)

Year	2014-15	2015-16
Proposed	5	40
BE	5	40
RE	5	
Actuals (Upto March, 2015)	5	

38. The Committee have been informed that although the actual utilization upto February 2015 was nil, an amount of Rs.5 crore has been utilized during March, 2015 and released to BSNL for providing satellite based services using gateway installed in India. An agreement has already been signed by BSNL with INMARSAT in March, 2015 for providing such services through a gateway installed in India. This project will help in providing satellite based communication services by BSNL especially in aid of security forces and disaster management. The expected completion date of the project is March, 2016.

39. When the Committee enquired about the specific purpose for establishing a separate satellite gateway assistance to BSNL, the Department, in a written note, have submitted as under:-

> "At present, the satellite based telecom services are provided in India by various international operators without having a gateway installed in India. In the absence of a gateway in India, the law enforcement agencies in India are not able to monitor the calls made from/to the satellite phones being used in India. This poses a security threat to India. Further, the country is dependent on foreign gateways if such services are required by security forces and in aid of disaster rescue and response when normal communication systems break down. BSNL has been granted a sui generis licence on 25.08.2014 for provision of satellite-based services on the recommendations of the Telecom Regulatory Authority of India (TRAI) in which the condition of a satellite gateway to be located within India has been imposed. Further, having an operator providing such telecom bases service in India with a gateway installed in India will bring down the tariff sufficiently downwards."

40. Elaborating further on the issue, Secretary, Dot, in evidence deposed:-

> "Another very important project which we have taken up is the satellite gateway in the country. At the moment, there is one satellite gateway which is in the private sector. BSNL is now building up a satellite gateway

so that the satellite phones have much more secure connection within the country."

(d) Fiber-to-the-Home (FTTH) to the residence of MPs in New Delhi by MTNL

41. As per the Outcome Budget, MTNL have submitted a proposal seeking an upfront grant of Rs. 43.20 crore to fund the capex requirement for providing high speed broadband connection with Wi-Fi facility using FTTH Technology at the official residences of Members of Parliament. Rs.6 crore has already been utilized in FY 2014-15 and the balance amount is expected to be utilized in FY 2015-16. MTNL has initiated work on the project which will be completed by August 2015.

42. On being enquired about the actual status of implementation of this project, the Department, in a written note, have submitted that survey for all twelve optical fiber rings to be laid has been completed. Out of the total OFC laying length of 91.9 Km, work has been completed for 32 Kms. It is expected that the project would be completed in another 4 months' time.

43. According to DoT, the following facilities would be made available through FTTH:-

- Capable of delivering very High Data speed.
- Has very low latency which improves quality of experience for internet users.
- Offers a very stable connection as it is immune to electromagnetic interference.
- Allows users to enjoy high-bandwidth applications, such as streaming video and music, communicating via video and telecommuting. Internet content is shifting very fast to High Definition Content in Education, Entertainment, etc.
- Allows user to view/upload HD content easily. In addition, FTTH/FTTB users are much more receptive to future innovative bandwidth intensive applications than the existing DSL users.

VI. Review of performance of Public Sector Undertakings (PSUs)

(a) Bharat Sanchar Nigam Limited (BSNL)

44. As per the projected revenue for BSNL during the Twelfth Five Year Plan, the target of revenue projected was Rs.29,900 crore for the year 2014-15 and Rs.30,500 crore for 2015-16.

45. The details of segment wise sales/operating revenue of BSNL for the year 2014-15 are given below:-

(Rs. in crore)

S. No	Business Vertical	Sales / Operating Revenue	Anticipated

		)upto Dec .2014(	**Revenue)as on 31.03.2015**(
1	Consumer Fixed Access (CFA)	8457.58	10376.70
2	Consumer Mobility (CM)	9806.27	12782.92
3	Enterprise Business (EB)	1755.26	2985.24
4	New Business (NB)	170.75	253.62
5	Others		1818.52
Total		20189.87	28217

Note: The figures are provisional & unaudited.

46. The anticipated working expenditure of BSNL for the period ending 31.03.2015 is given below:-

(Rs in crore)

S.No	**Parameters**	**Full Year Anticipated Expenditure as on 31.03.2015**
1	Operational & Administrative Expenses	11314
2	Employee Expenditure	16086
3	Depreciation	7300
Total		**34700**

47. The financial for the FY2014-15 will be finalized in the following quarter of 2015 .The actual figures for sales and expenditure are not possible to accertain at this stage .

48. With regard to revenue target set for BSNL during 2015-16 and the efforts made by BSNL to achieve the target, the Department, in a written note, have submitted that initially the revenue target(sales turnover) for FY2015-16 31 .proposed as Rs was, 389 crore onsequent upon meeting held with the Task ForceC .constituted by the Department of Public Enterprises (DPE) on the Memorandum of Understanding to be signed between the Department of Telecommunications and BSNL ,the revenue target for FY 2015- 16has been revised to Rs 30, 500crore the BSNL are stated to have taken . itiatives to achieve Rsfollowing in30,500 crore of revenue targets:

- 15 (2 3 --') .
- () .
- BSNL has taken various projects to improve transmission network capacity.
- Roll out of Wi Fi network.
- Increasing sales and revenue with focus on subscriber retention and cquisition by way of strengthening sales and marketingac, quality of service and cutomer delivery

- Sharing and renting ofp assivei nfrastructure assets(Towers and buildings) for increasing revenue.

49. Elaborating on the issue, CMD, BSNL, during evidence, stated as under:-

> **"**Talking from the profit and loss account, our top exploded line is Rs.28,800 crore. Out of that, Rs.15,600 crore go towards meeting our salary expenses, which is almost like 55 per cent and contribute major expenses from our top lines. These employees are on average 56 years old and they are also not that much skilled. In spite of that, we are still able to meet our operational expenses.....xxx.....Whatever loss is coming to our profit and loss account is coming through depreciation mainly out of the assets that we inherited from DOT. On the positive side if we look at our profit and loss account, we are still the least debt ridden company in the whole of the industry. Keeping that in mind, we have a certain strategy.**"**

Physical targets and achievements during 2014-15

50. The physical targets and achievements of BSNL in respect of various telecom services for the year 2014-15 are given below:-

S. No.	Item	Unit Measurement	MoU Target	Achievement to 31.01.2015)
1	Addition in GSM Capacity	in lakhs	100	43.87
2	GSM mobile Connections	in lakhs	100	-142.72
3	Broadband Connections (ADSL+FTTH+EVDO+WIMAX+3G)	in lakhs	30	22.88
4	Addition in OFC	in RKMs	20,000	7640
5	Replacement of legacy wireline network to NGN	in lakhs	5	-

51. When the Committee enquired about the reasons for the negative growth in respect of GSM mobile connections, the Department, in a written note, have submitted that the growth of voice services has reached a level of saturation in the market and data services are the next revenue generating opportunity for the Telecom industry in the coming years. With this objective, BSNL is taking various data centric initiatives in mobile services to retain / enhance the customer base. Under Phase VII GSM project, BSNL will be completing Phase VII GSM expansion for 15 million lines. In this project, BSNL is commissioning 11000 3G BTSs & 16000 2G BTSs with an investment of Rs. 4808 crore. This will improve 2G & 3G network coverage and data capability of 3G

network. BSNL is planning the next phase of its next GSM expansion project under Phase VIII, such as, induction and integration of Wi-Fi Hotspot / LTE (4G) with existing GSM /UMTS network, strengthening of Data Networkf ,ocus on active Sharing of GSM network through Intra Circle Roaming (ICR) arrangement and focus on enhancing 2G & 3G GSM coverage . BSNL has targeted to set up a large number of Wi-Fi Hotspots in the year 2015-16.

52. With regard to achievement made for replacement of legacy wireline network to the Next Generation Network (NGN) during 2014-15, it is stated that the replacement of legacy wire-line network to Next Generation Network (NGN) as against the RE Target of 5 lakh lines have been achieved and commissioned in the month of March 2015.

53. On the technological side of NGN, CMD, BSNL, in evidence, stated as under:-

> "On the technology side, …xxx…we are going in for NGN, that is Next Generation Network, which will combine voice and broadband together in one network. Apart from that, it will also offer various value added services wherein landline connection will be a lucrative offer to the customers."

54. Elaborating on the expansion plans, CMD, BSNL, in evidence, explained:-

> "We know that in the last ten years we could not invest in our mobile network, and during that period the market also progressed. When we wanted to install our equipment in 2006-07 the market penetration was almost like 45 per cent; and the current market percentage has gone up to 75. With that, we have lost that bus which was supposed to be ours from 2006.
>
> Having realized that, we have already initiated Phase VII wherein we are investing Rs.4,804 crore for meeting the requirement of GSM expansion. But we have also realized that this money is coming to us from the open market at 10.2 per cent interest rate because we do not get any money from the Government in this regard.
>
> Now we are faced with a situation where we have to get money from the market and invest in our network. So, we have divided our strategy in two folds. One is that we will be expanding our GSM/Mobile through our Phase VII project, and the second is that we will also be sharing the network of the private operators. That is because we believe that if you cannot beat them, join them. At this stage, even if we try to invest as much as possible, we will not be able to catch up as far as voice market is concerned with the private operators. So, we are already in talks with Airtel, Vodafone and Reliance for active sharing of their network. The commercials are being worked out. This will meet the problems with the

GSM network. So, the problems of the GSM network are met on two fronts, one from our own resources and the other through sharing.

We realise that the age of voice is already over and we are entering into data revolution age. So, we are keeping our focus on data, that is where we feel that money will come from, and we are investing on data. On that front the Wi-Fi is the area where we are keeping our hopes on. We will be taking Wi-Fi hotspot in a very big way. As far as West and South are concerned, we have already identified our partner who will be installing Wi-Fi. We will be sharing the Wi-Fi. We plan to complete almost like 2000 to 2500 Wi-Fi hotspots in the course of next year. This will also add to our data revenue.

Coming to landline, the landline is going down, everybody knows, because of the substitution by mobile services. But there is also one dimension of landline that it is one of the very costly services to maintain. So, we are having landline network in rural areas where we need viability gap funding also. For that, a proposal is there with the Government of India already approved by TRAI to do the viability gap funding to the extent of Rs.1250 crore which I feel the Ministry will be able to meet this year. If the viability gap funding is there in landline in rural area, we will be able to penetrate in landline in rural area. Otherwise, it will be very difficult commercially to penetrate landline in rural exchanges."

(b) Mahanagar Telephone Nigam Limited (MTNL)

55. The details of working expenses of MTNL during the last two years are as under:-

S.No	Particulars	Actual (2013-14)	Actual up to 31.12.2014	Anticipated 2014-15 Performance	Projected targets (2015-16)
A	**Total Receipt**				
I	Income from services	3391.73	2523.66	3364.88	3600.00
II	Other Income	395.64	169.42	225.89	225.89
	Total	**3787.37**	**2693.08**	**3590.77**	**3825.89**
B	**Total Expenditure**				
I	Staff cost	2615.40	1928.86	2680.00	2696.00
ii	Administrative/ Operative Exp.	1074.91	653.02	945.58	992.86
iii	Licence fees	209.53	155.26	256.29	279.11
iv	Revenue sharing	414.68	290.36	387.15	337.00
	Total	**4314.52**	**3027.50**	**4269.02**	**4304.97**

C	Finance Cost	1390.15	1135.14	1379.79	1320.00
D	Depreciation & Amortisation	1165.74	870.69	1216.31	1182.42
E	Net Profit [A-(B+C+D)]	**(3,083.04)**	**(2,340.25)**	**(3274.34)**	**(2,981.51)**

56. When the Committee enquired about the main impediments faced by MTNL to increase revenue receipts, the Department, in a written note, have stated that telecom in India is a volume business with low tariff. MTNL being an operator only in two cities is working on low tariffs. MTNL is not able to operate in Tier-II and Tire-III cities where maximum growth is taking place. This restriction on service area also impacts MTNL in another way. While its competitors having pan-India presence can offer discount on calls to their network elsewhere in the country, MTNL cannot offer similar discounts being restricted to Delhi and Mumbai service areas. Further, due to severe financial problems, MTNL is forced to go slow on developmental projects and thus was unable to upgrade its network. During the last three years, MTNL has made very limited investment in the network and has not been able to expand fibre network, cover newly developed colonies by laying copper cable in wireline and improve coverage and speed in wireless segment. This has affected MTNL's services and its ability to provide quality services. In order to reverse the declining market share trend, MTNL has to invest in the replacement/upgradation/expansion of its network.

57. The actual physical and financial achievements made by MTNL during (2014-15) (till February, 2015) are as under:-

S. No.	**Items**	**Physical Targets**			**Financial Outlay**		
		(BE) 2014-15	**(RE) 2014-15**	**Achievements till Feb 2015**	**(BE) 2014-15**	**(RE) 2014-15**	**Achievements till Feb 2015**
1.	Net new connections, including landline, WLL, Cellular and broadband connections	500,000	250,000	149,973	755.35	446.55	172.00
2.	New Switching Capacity addition, including capacity for WLL GSM, NGN ,IMS	1100,000	0	0			
3.	Deployment of DSLAM / FTTH	150,000	0	0			
4.	Optical Fibre Cable (in Fiber Km)	30,000	20,000	4562.07			
5.	IT related services	-			52.11	5.45	
6.	Expansion in New Services Areas abroad and National acquisitions	-			1.00	0.00	
	Total	**-**			**808.46**	**452.00**	**172.00**

58. When the Committee enquired about the reasons for the shortfall in achieving the physical and financial targets, the Department, in a written note, have submitted that the BE in 2014-15 for capacity addition targets were fixed in the light of the proposed network upgradation/expansion projects to be taken up during the year. However, MTNL was forced to go slow on these projects due to severe financial constraints; it was unable to mobilize funds required for these projects. Therefore, these targets are revised at the RE 2014-15 stage. MTNL has made arrangements for raising debt for their network upgradation. As at present MTNL, is passing through severe financial difficulties because of which it is able to take up only those projects for which external funding arrangements are made.

59. The Department have also informed the Committee that MTNL is under a serious debt burden of around Rs. 16,332 crore (as on 31st January, 2015) and is unable to mobilize funds required for these projects. Accordingly, the new projects for which funds were provisioned during the year did not take off and this resulted in underutilization of IEBR provisions.

60. Pointing out the poor performance of MTNL during 2014-15, the Committee desired to know the measures taken by MTNL during 2015-16. To this, the Department have submitted as under:-

> "An amount of Rs. 805.14 Cr. has been provisioned under IEBR for 2015-16. Plan outlay has been finalized in consultation with field units and based on ground realities. Further, the status of the new/ upcoming projects to be taken up during the year has been reviewed and provisions of funds have been made based on the expenditure likely to be booked under various heads. MTNL is putting its best efforts for making estimates and projections as realistic as possible based on available information. After reduction in MTNL's debt liabilities due to Govt. support, MTNL has been able to secure loan from IDBI bank for Rs. 1200 crore partially to meet the Capex requirement of projects to be taken up during 2015-16, namely:
>
> i) 3G Network Up-gradation: The existing HSDPA 3G network supporting D/L speed of 3.6 Mbps & U/L speed of 384 Kbps will be upgraded to support HSPA+ with D/L speed of 21.1 Mbps & U/L speed of 5.76 Mbps per sector in each Node-B.
> ii) Expansion of GSM/3G RF network: The network coverage will be improved by adding 1080 Node-Bs & 800 BTSs in Delhi and 1080 Node-Bs& 566 BTSs in Mumbai. The packet core capacity (Data handling capacity of network) will be upgraded from existing capacity of 400 Mbps (Delhi) and 1.8 Gbps (Mumbai) to 10 Gbps in both cities.

iii) Expansion/ Up-gradation of M/W Backhaul: To take care of the backhaul bandwidth requirements of proposed upgraded 2G/3G networks, the M/W Backhaul will be augmented/expanded through deployment of 200 Mbps (upgradation to 400 Mbps) Hybrid M/W systems."

61. With regard to improvement in capacity utilization of MTNL, the Department, in a written note, have stated that MTNL has its presence throughout Delhi and Mumbai, except for the few newly developed areas. MTNL has not been able to upgrade its GSM and landline network for the last 3-4 years due to constraint of funds. In the wireless segment, due to limited number of BTS / Node B sites both for 2G / 3G, coverage and quality issues are encountered by the customers. Similarly, due to inadequate investment in access network of fixed lines, the service quality issues are being encountered. On execution of its ongoing projects, MTNL services would improve which would, in turn, lead to generation of demand and thus the improvement in capacity utilization.

62. Elaborating on the plans of MTNL, CMD, MTNL, during evidence, stated as under:-

"Post 2010, we have been making investment in the network in last 5 years. In current year, we have planned to invest Rs. 805 crore both in mobile and landline area. We are expanding 2G and 3G network. We have proposed to install 1080 3G mobile towers in Delhi and Mumbai as well as 800 2G mobile towers in Delhi and 566 2G mobile towers in Mumbai. We are also giving a lot of emphasis on fibre to the home for delivering the requirement on broadband on high speed. In the Mumbai Surveillance Project, we are partnering with the Maharashtra Government to allow fibre to the poles so that fibre can be leveraged from there to provide surveillance in Mumbai. We are allowing Rs. 209 crore investment for the fibre in Mumbai.

The third issue is the replacement of TDM switches with NGN switches. An MoU in this regard has been signed with C-DOT which installed 10K exchange in Mumbai in field trial and the experiment was passed to Delhi. With similar kind of capacity installed in Mumbai convergence can be rolled out in the times to come.

The next issue which we have is that since we have limitations to make investment to run MTNL, we are partnering with the parties with private partners for rolling out Wi-Fi network for both the cities. We have already planned network roll-out. Tenders are going to be floated on revenue share basis so that Wi-Fi can be rolled out for Delhi and Mumbai. **"**

(c) Manpower Management in MTNL

63. In evidence, CMD, MTNL, informed the Committee that the turnover of MTNL, in the current year, has been Rs. 3,600 crore and the operating loss is about Rs. 3,000 crore. The biggest reason for this loss is the cost of salary to its 34,000 staff, which is around for 70 per cent of the total revenue.

64. When the Committee enquired about the surplus staff in MTNL, CMD, MTNL, stated as under:-

> "There are 13,000 employees in the cadre where skill has moved away. We have identified 13,000 employees where skills are not there. I would not say that they are surplus because we are utilizing their services. But 27,000 employees are going to retire and certainly skilling them is a challenge. For declaring them surplus, no exercise has been done."

65. On the issue of granting VRS to reduce loss, CMD, MTNL, during evidence, further stated:

> "In the last year after examining the issue, a Group of Ministers has recommended that instead of giving VRS to people over age of 53, salaries should be given to the MTNL for 55 per cent of the employees who are retiring in next 10 years. About 14,000 employees were identified. The matter is under consideration of the Department of Telecommunications which is in talks with the Cabinet."

VII. Miscellaneous

(a) Import and Export of telecom equipment, including mobile phones, parts, SIM cards and telecom cables

66. The details of import/export of telecom equipment, including mobile phones, parts and telecom cables during 2013-14 and April, 2014 to October, 2014 are as under:-

2013-14			**(Rs. in crore)**
		April, 2014 to October, 2014	
Import	**Export**	**Import**	**Export**
69,516.4	20475.2	52,310.5	5263

67. On being enquired about the efforts made by the Department to increase domestic production of telecom equipment so as to promote the 'Make in India' campaign, the Department, in a written note, have submitted as under:-

" (a) The Government has imposed basic customs duty of 10% on specified telecommunication products that are outside the purview of the information technology agreement in the Union budget of 2014-15.

(b) The policy for providing preference to domestic manufacturers for 23 notified telecom products in Government procurement has been implemented by DOT. This policy known as PMA (Preferential Market Access) policy provides preference to domestically manufactured telecom products in Government procurement for its own use and not with a view to commercial resale or with a view to use in the production of goods for commercial sale.

(c) DeitY's Electronics Manufacturing Clusters (EMC) Scheme provides financial assistance for creating world-class infrastructure for electronics manufacturing units. Under the scheme, the assistance for the projects in Greenfield Electronics Manufacturing Clusters is restricted to 50% of the project cost, subject to a ceiling of Rs. 50 crore for every 100 acres of land. For larger areas, pro-rata ceiling applies. For Brownfield EMC, 75% of the cost of infrastructure, subject to a ceiling of 50 crore, is provided as grant.

(d) DeitY's Modified Special Incentive Package Scheme (M-SIPS) provides financial incentives to offset disability and attract investments in the manufacturing of electronics products (including telecom). The scheme provides subsidy for investments in capital expenditure up to 20% for investments in Special Economic Zones (SEZs) and 25% in non-SEZS. It also provides for reimbursements of CVD/ excise for capital equipment for the non-SEZ units. For select very high technology and high capital investment units like fabs, reimbursement of central taxes and duties which include Customs Duty, Service Tax and Excise Duties is also provided.

(e) DeitY has issued Letter of Intent (LoI) to two Consortia for setting up of FAB facilities in the country, one led by M/s Jaiprakash Associates Limited (with IBM, USA and Tower Semiconductor Limited, Israel as partners with proposed location at Greater Noida, Uttar Pradesh) and the other led by M/s HSMC Technologies India Pvt. Ltd. (with ST Microelectronics and Silterra Malaysia Sdn. Bhd. as partners with proposed location at Prantij, Gujarat). DeitY is also working on a proposal for promotion of Fabless design industry in the country which would supplement the already approved proposal of two FAB units. This would create the necessary ecosystem for design and manufacturing of electronic/telecom equipment in the country.

(f) Foreign direct investment up-to 100% is allowed in manufacturing of telecom products under the automatic route.

(g) The Government has approved the Electronic Development Fund (EDF) policy in December 2014. EDF will be a "Fund of Funds" which will participate in "Daughter funds" in the area of electronics, nano-electronics and Information Technology (IT), including telecommunications. These 'Daughter Funds' will be in the nature of Venture Capital Fund, which will be professionally managed. The supported 'Daughter Funds' will promote innovation, R&D, product development within the country in the above mentioned specified fields.

(h) Further, the Government in the budget for 2015-16 has announced the following tax/duty changes for the telecom sector which are likely to boost the domestic manufacturing of mobile handsets and OFC (optical fibre cable):

(i) Excise duty structure for mobile handsets has been changed from 1% without CENVAT credit or 6% with CENVAT credit to 1% without CENVAT credit or 12.5% with CENVAT credit.

(ii) Basic custom duty on HDPE for use in the manufacture of telecommunication grade optical fibre cables has been reduced from 7.5% to Nil."

68. The Department have also informed the Committee that India has very little capability to manufacture hi-tech telecom equipment as compared to other countries because the requisite ecosystem for telecom equipment manufacturing is not present in the country. The telecom equipment industry is a high tech industry which means that the companies must build economy of scales to sustain their operations. Typically, a new company faces high level barriers due to stiff competition from the big established companies. Manufacturing industry in India faces cost disability due to the high cost of financing and poor infrastructure. The problem is compounded by the lack of domestic IC (Integrated Circuits) manufacturing ability in the country. It is estimated that 50 % of the Bill of Material (BOM) of telecom equipment is constituted of semiconductor based discreet and integrated circuit devices, bulk of which are imported in the country. A major characteristic of the telecom/electronic sector is the importance of R&D and innovation due to velocity of technology change. The lack of R&D fund is a big constraint for the development of a strong and vibrant R&D and innovation eco-system in the country in the telecom/electronic sector.

69. On the plan of the Government to bridge the gap between import and export, Secretary, DoT, during evidence stated as under:-

"Regarding the query of the import-export ratio fixed for five years. As I have told earlier that our import is Rs. 70,000 crore and export is Rs. 20,000 crore annually. The Government's plan is that the net import should be zero by 2020 i.e. the import and the export should be equal."

(b) Setting up of public Wi-Fi Hotspots

70. The Committee have been informed that one of the major components/sub-components of the 'Digital India' programme concerning DoT is the Early Harvest Programme (Public Wi-Fi Hotspots). Under this, DoT have to work towards enabling all cities of India with a population of over 1 million and tourist centre with Wi-Fi hot spots.

71. Explaining the plans for providing Wi-Fi at important tourist places, the Department, in a written note, have submitted as under:-

> "**Public Wi-Fi**
>
> Data regarding all important tourist places, received from Ministry of Tourism, were analysed and it was found that 203 locations do not have high speed data connectivity (3G). As informed by Ministry of Tourism further, most of the tourist places are administered by the respective State Governments. State Governments have been written for seeking their consent for provision of Right-of-Way (RoW), electricity and proper security for Wi-Fi service provision and the State Governments/concerned Agencies will have to take a decision on provision of Wi-Fi services and float EoI at their level.
>
> Archaeological Survey of India (ASI) further informed that they have decided to upgrade 25 monuments under its protection to the status of 'Adarsh Smarak' (Model Monuments). BSNL, MTNL and RailTel expressed interest in providing Wi-Fi coverage to some monuments, from the list of identified monuments indicated by the ASI, as Proof of Concept (PoC). BSNL, as informed by it, is willing to provide Wi-Fi services at its own cost at four locations, namely, Taj Mahal, Fatehpur Sikri, Sarnath and Konark Temple. RailTel has agreed to provide Wi-Fi services at its own cost at the Red Fort, New Delhi.
>
> In addition, BSNL is also willing to provide Wi-Fi services in four additional locations, provided ASI desires to work out a cost sharing model with BSNL for providing free Wi-Fi, namely Shore Temple, Mahabalipuram, Hampi, Khajuraho and Thanjavur-Brihadeshwar temple. ASI is proposing to invite EoI for all remaining Adarsh Smarak Locations.
>
> EoI document has been finalized and given to ASI and Ministry of Tourism. Draft MoU has also been finalized and provided.
>
> Expected cost of provision of data connectivity through provision of 3G Services in tourist spots which presently do not have connectivity and Wi-Fi facilities is estimated to be around Rs. 1000 crore."

72. Elaborating on the issue, Secretary, DoT, during evidence, stated as under:-

> "ASI has identified 25 monuments all over the country in which Ellora is there, Bodhgaya is there and many more monuments are there. We have given them the know-how. The private sector is also willing. There are a lot of companies under their CSR activities who also want to place these kind of Wi-Fi instruments. These kinds of Wi-Fi instruments will be placed by the ASI through the private channel in which we will be helping them out in terms of contract drafting. In addition to the BSNL, MTNL as well as the RailTel have agreed to take up two more monuments completely on their own. But the rest of the monuments will be taken up by the ASI. Some of them will be taken up by BSNL and MTNL on commercial basis, not on the basis of free Wi-Fi and some will be taken up by the private sector either under their CSR activities or on a commercial basis. This is not just limited to 25 monuments. In addition to this, the Government have identified 723 tourist places and in these tourist places, we are in the process of identifying many places which require Wi-Fi hot spots. We are coming up with a scheme which will be taken up by the local bodies to start the Wi-Fi instrument. The Department of Tourism has taken the work and we are helping them out in making up that scheme."

Part-II

Observations/Recommendations

DoT Budget

1. The Department of Telecommunications (DoT) have laid the Detailed Demands for Grants (2015-16) in Lok Sabha on 18th March, 2015 for a total amount of Rs. 15,874.60 crore, consisting of Rs. 7599.95 crore under the Plan head and Rs. 8274.65 crore under Non-Plan. An analysis of the financial performance for the year 2014-15 reveals that there was gross under- utilization of funds under the Plan head. During 2014-15, under the Plan head, an amount of Rs. 11037 crore was allocated at BE which was reduced to Rs. 5057.56 crore at RE stage. The actual utilization upto February, 2015 was only Rs. 4284.47 crore, which is just 38.81 per cent of the BE allocation. Of course, the Department have been able to expend 84.71 per cent of the funds against the RE allocation. The matter of under-utilization of funds is even more distressing when one examines the utilization of funds under the Plan Capital section alone. Under the Plan Capital Section, an amount of Rs. 3702 crore was allocated at BE during 2014-15 which was reduced to Rs. 641.15 crore at RE stage and the actual utilization up to February, 2015 was only Rs. 553.52 crore. A close scrutiny of expenditure during the first two quarters of 2014-15, i.e. up to September, 2014, indicates that except under WMO and NICF, where funds

could be used marginally, expenditure was nil in respect of major schemes like OFC (DS), ITI and TEC. The delay in finalization of tenders by BSNL for laying of optical fibre under the DS scheme, delay in getting approval for utilization of funds under NICF, reduction in allocation from Rs. 460 crore at BE to Rs. 192 crore at RE under ITI, delay in approval of tender for EMF measuring instrument and project estimates of labs under TEC, etc., have been cited as some of the major reasons for under-utilization of funds under Plan Capital Section. The Committee take note of the reasons attributed for the non-utilisation of funds under these schemes and, to some extent, appreciate that execution of major schemes obviously involve some gestation period. Nonetheless, the Committee are constrained to point out that with prudent planning, the Department could have ensued a better performance.

The Committee note that in the year 2015-16, the Department have been allocated an amount of Rs. 7599.95 crore at BE which is Rs. 3437.05 crore less than the allocation made at BE under Plan head during the previous year. The Committee have been given to understand that this is mainly due to decrease in the allocation made in the two major components of the Annual Plan of the Department, i.e. USOF and OFC (DS). The Department have stated that the reduced allocation of funds under GBS will have an adverse impact on the implementation of major schemes. In this regard, the Department have submitted that the matter has been reportedly taken up with the Ministry of

Finance for enhancing the ceiling of BE 2015-16. The Committee find that expenditure has picked up in the 3rd & 4th quarters of 2014-15 and major schemes like NOFN and LWE are under active implementation. The Committee desire that the Department should closely monitor the implementation of these schemes in the current fiscal, and strive towards maximum utilisation of the allocated funds. The Committee also recommend that the Department should pursue the matter of enhanced allocations with the Ministry of Finance (MoF) so as to obviate any possible adverse impact on the execution of Plan schemes.

<u>Expansion of Telecom Network in rural areas</u>

2. The Indian Telecom Sector has grown exponentially in the recent years and has become the second largest network in the world. As per the latest assessment, the overall teledensity in the country is about 77.59 per cent. It is, however, disquieting to find that the share of rural teledensity accounts for only 46.14 per cent compared to the phenomenal increase in the urban teledensity, which stands at 147.75 per cent. In fact, the Committee observe that the teledensity in the rural areas has grown at a very slow pace. Some of the factors attributed to the low rural teledensity are the inaccessibility and remoteness of certain areas, high capital and operational expenditure not matched by revenue flows, and the requirement of viability gap funding. The Committee note that even in the absence of any Government intervention, teledensity in the country is presently growing at the rate of 5 per cent

annually. In order to increase rural teledensity, the Government, in the Twelfth Plan, has envisaged a target of providing mobile access to all villages and increase rural teledensity to 70 per cent by the year 2017. The Committee are happy to find that the Government have taken several initiatives to achieve the 12th Plan targets in respect of the Department. Thus, various USOF funded schemes have been launched to provide viability gap funding which would go towards increasing rural teledensity. The other schemes being implemented under the USOF are the creation of Optical Fibre Cable (OFC) infrastructure through the National Optical Fibre Network (NOFN) helping to provide easy access, the Scheme for Mobile Communication Services in Left Wing Extremism (LWE) affected areas, the Comprehensive Telecom Development Plan for the North-Eastern Region and improving telecom services in Andaman and Nicobar Islands and Lakshadweep. The Committee would like to stress that the Department should take concerted steps for the successful implementation of the USOF funded Schemes, so that all the 55000 villages will have mobile connectivity. The Committee trust that with the active intervention of the Government on the execution of the identified schemes, which are at different stages of completion, the vision of the 12th Plan to connect all villages by the year 2017 will materialise. The Committee will like to be kept informed of the progress achieved in this direction.

Utilization of funds under Universal Service Obligation Fund (USOF)

3. The Committee find that during 2014-15, an amount of Rs. 3537 crore was allocated at BE which was reduced to Rs. 2086.98 crore at RE, due to the slow pace of implementation of various Schemes under the USOF. The funds allocated at RE have, however, been utilized fully. The Committee note that as against the proposed amount of Rs.12600 crore, an amount of Rs.2400 crore has been allocated at BE for the year 2015-16. In view of the substantial reduction of funds, the Committee urge the Department to take measures to utilize the available resources in prioritising execution of important Schemes and approach the Ministry of Finance for allocation of more funds. The Committee would like to emphasize that projects like NOFN should not suffer, because the successful laying of optical fibre network is critical to the expansion of telecom connectivity in the rural areas.

National Optical Fibre Network (NOFN)

4. The Committee note that the NOFN Project is planned to connect 2.5 lakh Gram Panchayats in the country through optical fibre cable by 31 December, 2016, by utilizing the existing fibres of PSUs, *viz*. BSNL, Railtel and Power Grid Corporation and laying incremental fibre, wherever necessary, to bridge the connectivity gap between Gram Panchayats and Blocks. In the year 2014-15, an amount of Rs 1477.26 crore was allocated at BE which was

reduced to Rs. 1308.41 crore at RE. The Department have informed the Committee that an amount of Rs.1351.86 crore has been finally released to the Bharat Broadband Network Limited (BBNL) during 2014-15. With regard to physical targets, it was planned to execute work for 1,00,000 Gram Panchayats which was revised to 50,000 GPs at RE and it was expected to cover about 20,000 GPs by the end of the last fiscal. The Committee have been further informed that the shortfall in achieving the target was mainly due to the non-availability of PLB ducts by CPSUs, delay in finalization of OFC trenching and laying of tenders by CPSUs and the extremely slow rate of progress by the executing agencies (CPSUs). The Committee recognise that issues like Right of Way (RoW) and limited availability of specialised agencies to carry out the NOFN work are some of the problems areas hindering the smooth implementation of the Scheme. The Department are stated to have addressed the issue of ROW by signing agreements with the respective State Governments, which would help to ease the problem in due course. With the increase in demand for laying of OFC, the number of expert agencies in the market which will undertake such jobs is likely to grow. The Committee have been apprised that the requisite eco-system is developing gradually and the pace of work under NOFN has gained momentum. Further, a Committee was constituted in January, 2015 under the direction of the Hon'ble Prime Minister to review the strategy and approach towards speedy implementation of the

NOFN. The Committee have also been given to understand that States like Andhra Pradesh, Tamil Nadu and Gujarat have come up with models to align with the NOFN project under implementation in their respective States. The Government may like to appropriately consider these proposals and also promptly follow up the recommendations of the Committee constituted under the direction of the Hon'ble Prime Minister, which has reportedly submitted its report to the Department. The Committee trust that all these measures, coupled with proactive approach of the Department, would result in the timely implementation of the NOFN Project. Since the shortfall in achieving the target during 2014-15 was mainly due to the slow pace of execution by Central Public Sector Undertakings (CPSUs) participating with BBNL, the Committee recommend that the extant system of monitoring instituted by BBNL needs to be tightened to make the CPSUs more accountable. The Committee are of the firm view that the success of NOFN, a project of national importance, is not only essential to the expansion of the telecom network, but will also provide the requisite infrastructure to support the 'Digital India' campaign of the Government. The Committee may be kept apprised of the progress of the NOFN Project.

<u>Scheme for Mobile Communications Services in LWE affected areas</u>

5. The Committee note that under the Scheme, the Government have approved the proposal to install mobile towers at 2199 locations identified by

the Ministry of Home Affairs in 10 States affected by Left Wing Extremism (LWE) areas. During the year 2014-15, an amount of Rs. 586.78 crore was allocated for the project at BE stage which was enhanced to Rs. 600 crore at RE stage. The actual utilization upto December, 2014 was Rs. 596.51 crore. With regard to physical achievements, the Committee note that as on 31 March, 2015, out of 2199 towers, 510 towers have been made functional. The Committee have been told that the remaining 1689 towers are expected to be installed and made operational within the targeted timeframe, i.e. September, 2015. During 2015-16, an allocation of Rs. 1230 crore has been proposed by the Department to execute the project. Considering that mobile connectivity in the rural areas has been identified as a thrust area by the Government, the Committee stress the need for timely completion of the project.

<u>OFC based network for Defence Services</u>

6. OFC based network for the Defence Services (DS) is one of the very crucially important schemes being implemented by DoT for creating an alternate communication network for the Defence Services for release of Spectrum. The project involves laying of around 57000 km of OFC. During 2014-15, an amount of Rs. 3065 crore was allocated at BE which was reduced to Rs. 425 crore at RE. The actual utilization upto February, 2015 was Rs. 355.07 crore. According to the Department, funds could not be expended during the first two quarters of the past fiscal on account of delay in finalisation of tenders

for laying of optical fibre and litigation involved in the tenders for electronic equipment. The Committee have been apprised that the project has now been divided into 7 packages and the physical work in all packages is underway; the litigation part is also getting resolved. The Committee have further been informed that the project will be completed by the year 2016-17. The Committee recommend that every step should be taken by the Department for the expeditious completion of the project by the envisaged timeframe. The creation of an alternate communication network would create a secure and robust connectivity for the Defence Forces and also lead to release of more spectrum for mobile services.

<u>Establishment of Satellite Gateway assistance to BSNL</u>

7. The Committee note that the DoT have given 'in-principle' approval to provide financial support of $ 8 million to BSNL for the establishment of a Global Mobile Personal Communication by Satellite (GMPCS) service gateway in India. An agreement has already been signed by BSNL with the International Maritime Satellite Organization (INMARSAT) in March, 2015 for providing satellite based services through a gateway in India. This project will help in providing satellite based communication services by BSNL, especially in aid of security forces and disaster management. During 2014-15, an amount of Rs. 5 crore has been utilized and for the year 2015-16, an amount of Rs. 40 crore has been allocated at BE for the scheme. The Committee recognize that it is a very

important scheme with wide implications for national security and disaster management. In fact, the Committee are concerned to note that satellite based telecom services in India, as of now, continue to be provided by various international operators, without a gateway installed in India, posing a possible threat to the security of the nation. The Committee also recognize that the establishment of such a gateway will be immensely helpful in disaster management. In view of this, the need for having a satellite gateway becomes all the more essential and indispensable. The Committee, therefore, call upon the Department to take all necessary measures to complete the project as per the laid down target.

<u>Fiber-to-the-Home (FTTH) to the residences of MPs in New Delhi by MTNL</u>

8. The Committee note that MTNL is presently implementing a project for providing high speed broadband connection with Wi-Fi facility using FTTH technology at the official residences of the Members of Parliament in New Delhi. The Committee have been told that once completed, it will enable delivery of very high speed data, will improve quality of experience for users, high-bandwidth applications, easy viewing/uploading of HD content, etc. Regarding progress of the project, the Committee have been informed that survey for all twelve optical fiber rings to be laid has been completed. The Committee are confident that this Project will be of great help to the Members

of Parliament to effectively discharge their duties as representatives of the people.

Bharat Sanchar Nigam Limited (BSNL)

9. The Committee note that during the year 2014-15, as against the projected revenue target of Rs. 29,900 crore, BSNL could generate revenue of Rs. 20,189.87 crore upto December, 2014. The Committee have been informed that the total revenue and expenditure of BSNL upto 31 March, 2015 were anticipated to be Rs. 28,217 crore and Rs. 34,700 crore, respectively, thus projecting an anticipated loss of Rs.6483 crore during the last fiscal. The Committee further note that almost 55 per cent of the expenses of BSNL accounts for salary payment. The revenue target for the year 2015-16 is Rs. 30,500 crore and to achieve this target, BSNL is stated to have taken initiatives such as augmentation of GSM network capacity, replacement of legacy wireline exchanges by NGN, improving transmission network capacity, roll out of Wi-Fi network, increasing sales and revenue with focus on subscriber retention and acquisition, sharing and renting of passive infrastructure (towers and buildings), etc. However, the Committee are constrained to observe that a review of the performance of BSNL in the aforesaid direction during the past year, does not provide a promising picture. For example, out of the target of achieving 100 lakh addition in GSM capacity, the achievement as on 31 January, 2015 was only 43.87 lakh leaving a shortfall of 56.13 lakh. Similarly,

under GSM mobile connections, against the target of 100 lakh mobile connections, the achievement was (-)142.72 lakh, indicating that customers have shifted to other service providers which is undoubtedly disconcerting. As part of its future expansion plans, BSNL has already initiated the Phase VII project with a total investment of Rs. 4,804 crore for GSM expansion, active sharing of network of private operators, rolling out of Wi-Fi, etc. Since voice services are getting saturated, the Committee are of the view that BSNL should focus on disseminating data services to garner more and more revenue.

<u>Mahanagar Telephone Nigam Limited (MTNL)</u>

10. The Committee note that severe financial problems had forced MTNL to go slow on developmental projects, as a result of which they were not in a position to upgrade their network. During the last three years, MTNL has made very limited investment in the network segment which had affected MTNL's ability to provide quality services. The physical achievements of MTNL during the year 2014-15 have been far from satisfactory. Under the item 'Net new connections, including landline, WLL, Cellular and Broadband connections', the target of achieving 500,000 connections was fixed at BE, which was reduced to 250,000 at RE; the actual achievement till February, 2015 was only 149,973. Under the items 'New Switching Capacity additions including Capacity for WLL, GSM, NGN, IMS' and 'Deployment of DSLAM/FTTH', the targets at BE were 11,00,000 and 150,000, respectively; achievements till February, 2015 have

been nil. The Committee note that after reduction in MTNL's debt liabilities due to Government support, MTNL has been able to secure loan of Rs. 1200 crore from IDBI, partially to meet the Capex requirement of projects during 2015-16, *viz.* 3G network upgradaion, expansion of GSM/3G RF Network and expansion/upgradation of M/W Backhaul. The Committee have been informed that MTNL has mooted various plans for the expansion of 2G and 3G Network; it has also proposed to install 1080 3G mobile towers, respectively, in Delhi and Mumbai, and 800 2G mobile towers in Delhi and 566 2G mobile towers in Mumbai. Under the Mumbai Surveillance Project, MTNL is partnering with the Maharashtra Government to provide surveillance in Mumbai for which MTNL is investing Rs. 209 crore. MTNL is also undertaking a project for the replacement of TDM switches with NGN switches; besides, they are partnering with private partners for rolling Wi-Fi network in Delhi and Mumbai. The Committee hope that with this Capex support and other initiatives planned, MTNL would strive towards increasing their market share gradually and convert itself to a profit making organisation.

<u>Setting up of public Wi-Fi hotspots</u>

11. One of the major components of the 'Digital India' programme involving DoT is the 'Early Harvest Programme' under which DoT have to work towards enabling Wi-Fi hotspots in all cities of India with a population of over 1 million and tourist centres. The Government have identified 723 tourist centres for the

purpose; the expected cost of provision of data connectivity through provision of 3G services in tourist spots having no Wi-Fi facilities is estimated to be around Rs. 1000 crore. With regard to providing Wi-Fi connectivity at tourist places, the Committee note that 203 locations do not have high speed data connectivity (3G). The Committee understand that the Archaeological Survey of India (ASI) have decided to upgrade 25 monuments to the status of 'Adarsh Smarak' (Model Monuments). As proof of concept, BSNL is willing to provide Wi-Fi services at its own cost at four locations, namely, Taj Mahal, Fatehpur Sikri, Sarnath and Konark Temple. RailTel has agreed to provide Wi-Fi services at its own cost at Red Fort, New Delhi. BSNL is also willing to provide Wi-Fi services on cost sharing basis model at Shore Temple, Mahabalipuram, Hampi, Khajuraho and Thanjavur-Brihadeshwar temple. Apart from the above, the Committee note that several private companies are willing to provide Wi-Fi services under their Corporate Social Responsibility (CSR) for which the Government have to help in finalizing the Terms of Contract. The Committee are pleased that the Government are coming up with a scheme which will enable local bodies to start providing Wi-Fi services. The Committee desire that necessary measures may be taken by the Department to fructify the aforesaid proposals at the earliest so that provision of Wi-Fi services at important tourist centres could be started at the earliest. The Committee may be apprised of the progress made in this direction.

ANURAG SINGH THAKUR
Chairperson
Standing Committee on
Information Technology

New Delhi
22 April, 2015
2 Vaisakha, 1937 (Saka)

APPENDIX-I

MINUTES OF THE FOURTEENTH SITTING OF THE STANDING COMMITTEE ON INFORMATION TECHNOLOGY (2015-16) HELD ON 6TH APRIL, 2015

The Committee sat on Monday, the 6th April, 2015 from 1130 hours to 1335 hours in Committee Room 'C', Ground Floor, Parliament House Annexe, New Delhi.

PRESENT

Shri Anurag Singh Thakur- Chairperson

MEMBERS

Lok Sabha

2. Shri L.K. Advani
3. Shri Prasun Banerjee
4. Dr. Sunil Baliram Gaikwad
5. Dr. K.C. Patel
6. Dr. Anupam Hazra
7. Dr. J. Jayavardhan
8. Shri P. Karunakaran
9. Shri Virender Kashyap
10. Smt. Hema Malini
11. Shri Keshav Prasad Maurya
12. Shri Paresh Rawal
13. Shri Abhishek Singh
14. Shri D.K. Suresh
15. Shri Ramdas C. Tadas
16. Smt. R. Vanaroja

Rajya Sabha

17. Smt. Jaya Bachchan
18. Shri K.V.P. Ramchandra Rao

SECRETARIAT

1.	Shri K. Vijayakrishnan	-	Additional Secretary
2.	Shri J.M. Baisakh	-	Director
3.	Dr. Sagarika Dash	-	Deputy Secretary
4.	Shri Shangreiso Zimik	-	Under Secretary

Representatives of the Ministry of Communications and Information Technology (Department of Telecommunications)

	Name	Designation
1.	Shri Rakesh Garg	Secretary
2.	Smt. Annie Moraes	Member
3.	Shri Rajeev Agrawal	Advisor
4.	Ms. Rita Teotia	Special Secretary
5.	Smt. Aruna Sundararajan	Administrator, USOF
6.	Shri R.J.S. Kushvaha	Wireless Advisor
7.	Shri Anupam Shrivastava	CMD, BSNL
8.	Shri P.K. Purwar	CMD, MTNL
9.	Shri K.L. Dhingra	CMD, ITI
10.	Shri Vimal Wakhlu	CMD, TCIL
11.	Shri Vipin Tyagi	Executive Director, C-DoT
12.	Shri S.K. Mishra	Principal Advisor, TRAI

2. At the outset, the Chairperson welcomed the Members to the sitting of the Committee. Thereafter, the representatives of the Ministry of Communications and Information Technology (Department of Telecommunications) were called in and the Committee took their evidence on the Demands for Grants of the Department for the year 2015-16.

3. The Department of Telecommunications initially made a powerpoint presentation covering issues relating to the functions and responsibilities of the Department, the targets for the Twelfth Plan and achievements during the first three years of the Twelfth Plan, growth of subscriber base and tele-density, financial performance under Plan (GBS) and Non-Plan heads during 2014-15, main components of Plan and Non-Plan Outlay for 2015-16, revenue receipts of the Department during the last four years and target of revenue receipts set at BE 2015-16, recent contributions to the nation made by C-DoT, status of implementation of National Optic Fibre Network (NOFN) and OFC based Network for Defence Services, DoT Projects, connectivity to Left Wing Extremism (LWE) affected States, comprehensive telecom development plan for North-East Region, mobile connectivity to uncovered villages in Himalayan States, commitments towards PSUs, etc.

4. The Members then sought clarifications on various points to which the representatives of the Department responded. The Chairperson asked the Department to furnish written replies to the points which remained unanswered during discussion.

5. The Chairperson, then, thanked the representatives of the Department of Telecommunications for tendering evidence before the Committee.

The witnesses then withdrew.

Verbatim Proceedings of the sitting have been kept on record.

The Committee, then, adjourned.

APPENDIX-II

MINUTES OF THE NINETEENTH SITTING OF THE STANDING COMMITTEE ON INFORMATION TECHNOLOGY (2014-15) HELD ON 22nd APRIL, 2015

The Committee sat on Wednesday, the 22nd April, 2015, from 1030 hours to 1100 hours in Committee Room 'B', Ground Floor, Parliament House Annexe, New Delhi.

PRESENT

Shri Anurag Singh Thakur- Chairperson

MEMBERS

Lok Sabha

19. Shri L. K. Advani
20. Dr. Sunil Baliram Gaikwad
21. Dr. K.C. Patel
22. Dr. J. Jayavardhan
23. Shri Virender Kashyap
24. Shri Keshav Prasad Maurya
25. Dr. (Smt.) Bhartiben Dhirubhai Shiyal
26. Shri Abhishek Singh
27. Shri D. K. Suresh
28. Smt. R. Vanaroja

Rajya Sabha

29. Shri Salim Ansari
30. Shri Santiuse Kujur
31. Shri Meghraj Jain

SECRETARIAT

5.	Shri K. Vijayakrishnan	-	Additional Secretary
6.	Shri J.M. Baisakh	-	Director
7.	Dr. Sagarika Dash	-	Deputy Secretary
8.	Shri Shangreiso Zimik	-	Under Secretary

2. At the outset, the Chairperson welcomed the Members to the sitting of the Committee convened to consider and adopt two Draft Reports on 'Demands for Grants (2015-16)' relating to the Ministry of Communications and Information Technology (Department of Telecommunications) and ….xxxx…

3. The Committee, thereafter, took up for consideration and adoption the two Draft Reports on 'Demands for Grants (2015-16)' relating to the Ministry of Communications and Information Technology (Department of Telecommunications) and ….xxxx… and adopted the same without any modification.

4. The Committee, then, authorized the Chairperson to finalize the draft Reports, incorporating therein changes arising out of factual verification, if any, by the Ministry/ Department and present the Reports to the House during the current session of Parliament.

The Committee, then, adjourned

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xxxx Matter not related to the Report.